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August 31st, 2016,

The Director,
Renewable Energy,
Department of Environment Land Water and Planning,
P.O. Box 500,
Melbourne,
VIC 3000

Ref: Victorian Renewable Energy Auctions

Having reviewed the scheme discussion paper KPE believes it is valid to say that the proposed architecture for the scheme appears to offer a well considered and practical basis that will:

- Provide leadership for Australian government's considering their response to the climate change crisis facing our planet; and,
- Inject new confidence into the renewable energy sector in Victoria, providing certainty to project proponents at minimal extra cost to Victorian consumers.

In addition, it should be a driver for a significant number of new employment opportunities in regional Victoria both during construction and operating phase of the generating capacity installed as a result of the scheme's implementation.

KPE suggests that there are two particular issues canvassed in the discussion paper that we would want to comment on:

1. The treatment of LGCs potentially generated by projects installed as part of the Victorian scheme.

KPE agrees with the intent of the scheme to ensure that it is complimentary to the Australian Government's RET scheme. We note that the suggested treatment of LGCs is based on the assumption that capacity required to meet the national RET will be installed by the end of 2020.

KPE suggests that there is too much uncertainty around the installation rate of projects aimed at meeting the national RET target for the Victorian scheme to lock in treatment of LGCs in the period 2020 to 2023.

Accordingly KPE would suggest that the scheme should be launched with arrangements in place that cater for projects installed up to the point where the capacity is capable of generated the 32,500,000 LGCs required to meet the surrender targets of the national scheme.

A review of the Victorian scheme early in 2020 could then provide a date after which Victorian scheme projects were not allowed to generate LGCs with far more certainty that the Victorian scheme would compliment the national scheme without creating an oversupply of LGCs and compromising

the LGC market on which all of the projects in the National scheme rely for part of their ongoing revenue scheme.

2. The stated objective for the scheme to generate 4,000 new jobs in Victoria throughout it's life.

Again, KPE agrees wholeheartedly with the Victorian Government's stated aim to ensure that projects generated by the scheme create Victorian jobs, assist the development of renewable energy supply chain businesses, maximise local content and promote local industry competitiveness, regional development and broader economic benefits.

However, KPE suggests achieving those goals will only be possible if the Scheme includes mandatory local content requirements as part of the evaluation criteria for projects responding to auction cycles.

KPE suggests that (certainly for large wind farm projects) the following key components are all able to be supplied from Victorian based manufacturers, contractors and suppliers:

- HV/LV Cabling within WTG towers;*
- All reticulation cabling between towers and the project switchyard(s);*
- The WTG Tower (specifically for large wind projects);*
- All civil and electrical contracting services required to construct a wind farm;*
- The main wind farm switchyard (components and installation) and connection lines to the transmission or distribution grid as appropriate.*

Based on our understanding of the overall cost for a wind farm project, KPE suggests that it should be possible to achieve local content levels in the range 50% to 55% of total project costs for a typical wind farm project in Victoria.

Our assessment is that mandating a local content in that range should add no more than 2% to the overall project costs compared with a fully imported system.

Accordingly, KPE suggests that the scheme should require proponents to either confirm a minimum 52% local content, or, if their local content percentage falls below 52%, be able to show that they have sourced all possible components or services listed above from local manufacturers, contractors and suppliers.

If you would like to canvass the issues raised above with KPE, please contact

Thank you for the opportunity to comment on the scheme.

Regards,

A handwritten signature in blue ink that reads "Mike Noske".

Mike Noske

Projects Manager,

Keppel Prince Engineering.